



JUNE 18, 2007

UPCOMING USDA REPORTS TAKE ON MORE IMPORTANCE

On June 29, the USDA will release the annual *Acreage* report and the quarterly *Grain Stocks* report. These reports take on a little more importance for corn, soybeans, and wheat this year for a variety of reasons. These include the rapid rate of increase in consumption; the low and/or declining level of world grain inventories; and concerns about production in a number of acres, particularly in the U.S. A difference of a few acres planted or a few bushels in inventory could have significant price implication in this environment. This issue highlights the *Acreage* report and next week's issue will address the June 1 *Grain Stocks* report.

The markets will be interested in at least three pieces of information in the *Acreage* report. First, is the total planted acreage (harvested acreage of hay) of all crops. Intentions for all non-hay crops reported in January (winter wheat) and March (most other crops) totaled 256.37 million acres, 3.26 million more than planted to those crops in 2006. In addition, acres of hay intended for harvest in 2007 was 2.25 million more than harvested in 2006. It will be important to see if planted acreage was nearly 2 percent more than planted in 2006, as indicated in March, or if adverse weather resulted in fewer planted acres. The comparison to 2006 acreage may be made a little more difficult if failed acres of wheat, for example, were replanted to another crop. A state-by-state analysis of acreage will help shed some light on that issue.

The second important piece of information in the *Acreage* report is obviously the estimates of planted acreage of individual crops. A lot of the focus will be on corn and soybeans. In March, producers reported intentions to increase planted acreage of corn by 12.1 million acres (15 percent) and to reduce planted acreage of soybeans by 8.4 million acres (11 percent). There are clear differences of opinion about actual planted acres relative to these intentions. A review of the weekly reports of corn planting progress by state reveals no significant delays in planting that crop. In all major states, the majority of the crop was planted by the second week of May, with planting essentially complete by the third week of May. Generally timely planting opportunities, then, do not point to a significant change in acreage from intentions based on concerns about potential yield loss from late planting.

From early March, when the survey of planting intentions was conducted, through late April, December 2007 corn futures declined about \$.50. Prices were generally higher, but volatile, during the first half of May. In contrast, November 2007 soybean futures increased about \$.20 per bushel from early March to late April, but dropped by \$.60 during the month of May. Again, opinions differ about whether the changing price relationships influenced producers planting decisions. It would be surprising if planting decisions were significantly influenced by the short duration of price variability.

The third piece of information to be gleaned from the *Acreage* report will be intentions for harvested acreage of individual crops. While it is early in the production cycle for spring planted crops, it will be useful to see if early season weather conditions had yet impacted the expected level of abandoned acres. Drought conditions in the southeast and excessive precipitation in parts of western growing areas could have impacted not only the magnitude of planted acreage, but also the expectation for abandoned acres.

Trade guesses about planted acreage will be released leading up to the USDA report. Our expectation is that total planted acreage fell a little short of March intentions and that harvested acreage forecasts will show a little higher rate of expected abandonment in areas of adverse weather conditions. Both corn and soybean acreage may have been a bit below intentions, but we do not anticipate the report to show a significant “switch” in acreage between the two crops.

Even though acreage estimates will be important, yield prospects will continue to dominate corn, soybean, and wheat prices. Continuation of generally dry conditions in eastern and southeastern growing areas is of most concern. Along with actual and forecast weather conditions, the USDA’s weekly report of crop conditions will be monitored closely. Deteriorating crop conditions in eastern growing areas were expected to be reported in the June 18 update. Historically, weather concerns such as those currently being experienced have resulted in price highs in June or July.

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